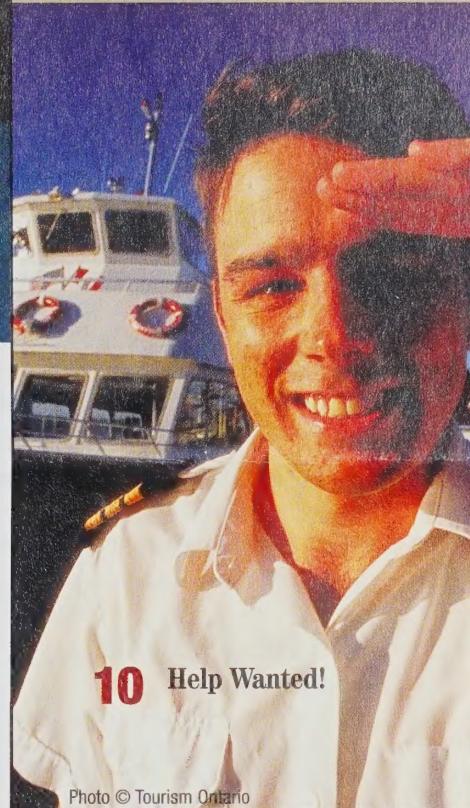


May | June 2005

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10 Help Wanted!

Photo © Tourism Ontario

On emphasizing value over price

An interview with Stephen Pearce, vice-president, leisure travel and destination management for Tourism Vancouver. With profit margins already stretched to the limit, will operators have anything to gain by lowering prices? In April, TOURISM asked Pearce to share his views on the wisdom of discounting of Canadian products in international markets:

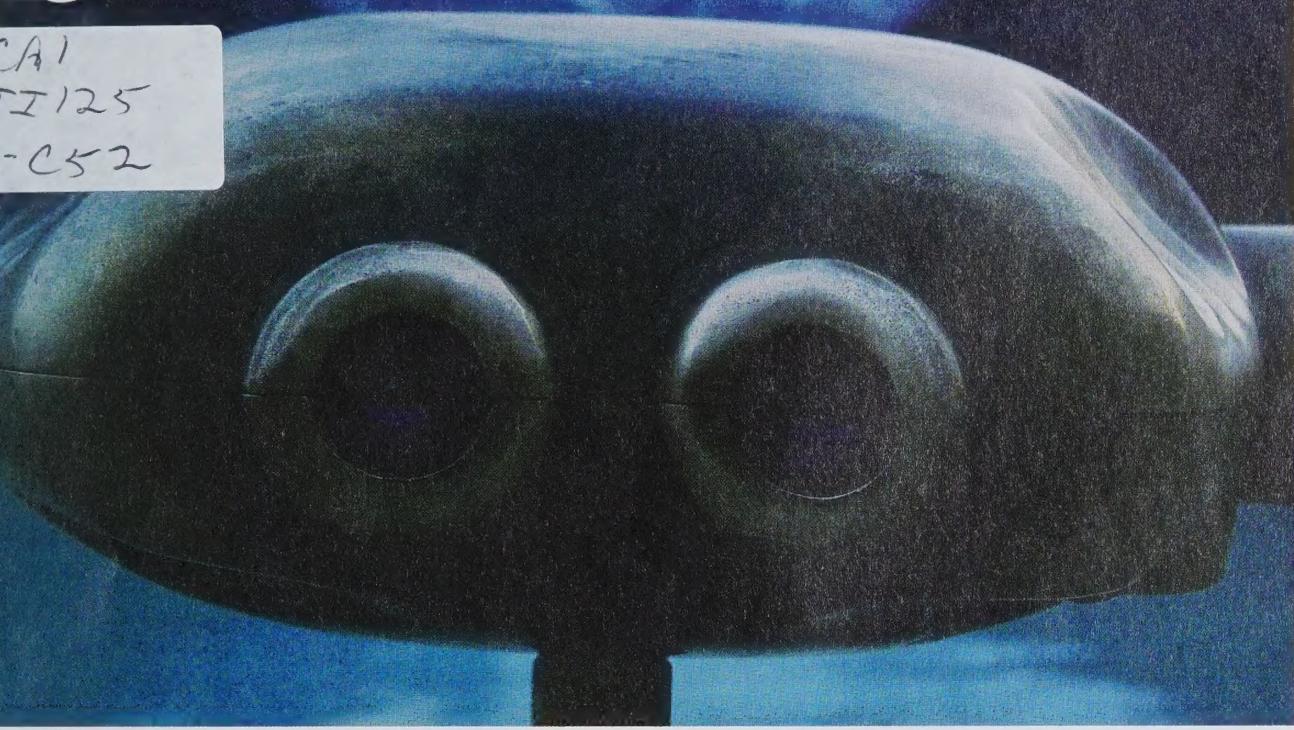
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Canada's tourism business magazine

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Keep Exploring: the journey begins!

Marketing for Success

On May 11, at a session hosted by Canadian Tourism Commission board chair Charles Lapointe and our president and CEO Michele McKenzie, I had the privilege of presenting our new Canada Brand to buyers from international markets who were attending Rendez-vous Canada in Saskatoon. Keep Exploring is what travel to Canada is all about, and these buyers will be key players as we move the message forward.

We are all explorers – everyone – in some way. We believe, when we say *Keep Exploring*, we are touching a chord that is common to people all over the world. And of course, we want to reach out to all the curious people in the world, the people who want travel to be part of their life, who want to see new things, and have an experience as unique as they themselves are.

We are not – first of all – targeting tourists. We are targeting travellers, and we know if we get them to come to Canada, the tourists will follow. This is the foundation – the framework, even – of what we are trying to do. Just how we are going to do it is, really, the challenge and the interesting part of the process. There is a lot more to this than painting a pretty picture and hoping we will attract travellers on the strength of that alone.

What we have to do, now that we are ready to move forward, is become very much more present

Brand Canada is a whisper...

in the lives of travellers who have a potential to travel to Canada. We have to change and build their perception of Canada from their point of view – the point of view of explorers. This is why we are proposing a three-tiered approach to how we will do our marketing.

In tier one, we will make every effort to become part of our customer's lives using intriguing

Canada is an experience that evokes emotion and gives you the freedom to express yourself.

messages about Canada being different from other countries. In tier two, we will do the same thing, but we will do it with partners, giving a context in which our customers can visualize how they themselves might explore what we have for them. In tier three, that is when we really push the sales.

Let me expand on this. In tier one, for example, we might present – every morning when people are going to work – an electronic billboard message at Times Square in New York City that reads "Turn left where you used to turn right. Canada. *Keep Exploring.*" We just need to focus on putting the idea into people's minds that Canada is not a dull place, it is full of all

Canada is a tiny country

Editorial

PETER KINGSMILL



Canada has a lot of geography, but a tiny population even by North American standards. When the "Three Amigos" (presidents Bush and Fox, and Prime Minister Martin) met in Texas in mid-March, they met in a state with over two-thirds the population of our entire country. We have less than 11% the population of the US and less than 33% of Mexico. In fact, we have fewer people (by four million) than the State of California.

Canadians, therefore, live a rather spread-out existence. Family reunions are typically coast-to-coast affairs, involving thousands of kilometers of travel. Although we all share – to a certain extent – a season called winter, our varied climate zones dictate that seasonal experiences are not always the same. Like the maple leaf on our flag, however, our people are our core feature and strength, despite the broad canvas across which we are spread.

Managing the affairs of Canadians under these circumstances can be a troubling exercise, to be sure. It is an exercise we have conducted rather well, despite

regional differences, to the extent we are seen internationally as a desirable country in which to live. However, day to day, we live with the reality that we are, so to speak, never quite in the right place at the right time. We rely heavily on trust between our colleagues and friends – however far away they may be – to muddle through and be effective despite the physical challenges.

For those of us in the tourism industry, perhaps the worst-kept secret of winter 2005 has been the Liberal government proposal to move the Canadian Tourism Commission (CTC) head office from Ottawa to Vancouver. This move has now been announced, and the realities of carrying out the move will certainly entail substantial business and personal upheaval for staff and management, for whom some patience and understanding are due as they grapple with difficult personal decisions.

But the important work of the CTC will go on. For those people in the tourism industry from St. John's or Regina, Edmonton or Québec, we were always a long way from Ottawa and going to the CTC office usually involved an airplane and at least two airports. It will be no different when the office is in Vancouver.

In our vast, under-populated country, we cannot afford to think small. We must remain connected, each to each other. Tourism is a national enterprise, and so it will continue to be, wherever the CTC office is located. We at *TOURISM* magazine remain committed to ensuring that our readers – wherever they are – are provided with the very best available information to help them be successful members of Canada's national tourism industry. **7**

To the Editor

Publisher's Note

Letters may be edited for length and content. For complete texts visit *TOURISM* Online at www.canadatourism.com.

Banff Lake Louise

On my last trip to Mexico, I came across an unusual scene on a local soap opera: a bunch of Mexican teenagers having fun at the hot springs in Banff!

Rebelde is seen by more than 10 million Mexicans! I watched the rest of the episode and was amazed at the enormous positive publicity Canadian tourism was getting from these actors and the "beauty shots" in and around Banff and Lake Louise.

I am sure we'll see a spike in requests for travel to Alberta and Canada this summer!

*Jaime Horwitz
Cactus Rock New Media Ltd.
Toronto*

Canada Brand theme works for us!

I read your article on the new Canada Brand (TOURISM Online April 2005) with great interest as I believe the products and services we offer are a perfect example of the type of adventure that is definitely a break from the everyday. Our tours range from day trips to getaways and custom rides and – with our carefully chosen destinations, routes and people – provide clients with wonderful, memorable experiences. We are interested in learning more about "Brand Canada".

*Liz Jansen
Trillium Motorcycle Tours Inc.*

Motorcoaches? Alberta has 'em!

In response to the letter from an Ontario reader (Motorcoach service lacking, TOURISM in print March/April 2005) I thought I would pass along a brief description of the service that MagicBus Tours Ltd. offers visitors and residents alike from Edmonton and Calgary, two of Canada's major cities.

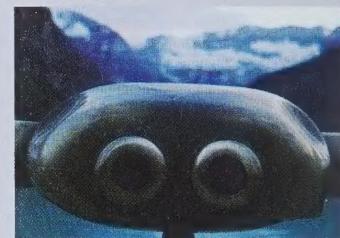
For seven years, MagicBus Tours has provided a guaranteed (seasonal) day-service from Edmonton to Jasper/Marmot Basin Ski Area. Many of our customers are locals who prefer not to drive, saving their energy for skiing and other soft adventures. We have served clients from England, the US, Brazil, Australia, China, Japan and others.

Two years ago MagicBus Tours launched the same style of service from Edmonton and Calgary to Lake Louise. This loop is one of the largest tourism routes in western Canada.

*Bruce Perry
Edmonton*

Tourism

MAY/JUNE 2005, VOLUME 9, ISSUE 3
ISSN 1499-5719



ON THE COVER:

After an intensive year of consultation with stakeholders across the country, a new vision for Canada was revealed at Rendez-vous Canada. Leaving the "moose and Mounties" of past campaigns behind, Brand Canada relies on the creativity and commitment of the tourism industry to bring it to life. *Canada: Keep Exploring.*

Hunting market important too

I have had the opportunity to read your magazine for over two years. I am puzzled when you discuss niche markets (e.g. gay and lesbian). Are big game and wildfowl outfitters not worthy of mention or is the market not politically correct? (This sector) in both Alberta and Saskatchewan alone accounts for several thousand visitors each year.

*Dave Molloy,
Empress, Alberta*

Speed it up, please!

CTC does a fine job in pulling together articles of interest and keeping the industry in touch with the national scene. However, are you able to explain why I received my Jan/Feb edition on the second of March? Should I not expect to get the publication during December?

*Bill Reynolds
Edmonton*

Publisher's note: Thanks for your comment – point well taken! We are working on bringing the process forward to reach our audience at the beginning of the second month of every issue. And, of course, we hope you will also consult *TOURISM* Online and the *TOURISM Daily News*!

continued from page 1

TOURISM: We keep hearing about how Canadian tourism operators could maximize their business by accepting lower margins and promoting discounted retail rates. However, we have a bit of a conundrum when it comes to discounting travel and tourism products. There are a number of places where the visitors' money goes; to start with, by some estimates senior governments reap some 25% of gross tourism revenues through taxes extracted at the various stages of mounting the product. Then there are airlines – already facing issues – then hotels with their ever-escalating rates and costs, then services and attractions facing increased labour, fuel and insurance costs. We haven't even yet considered agent and operator commissions! If we are to go down the discount road, which partners are able – or willing – to cut prices in today's dynamic?

Pearce: This is a complex question. Are cost savings passed on to the consumer or absorbed by the tour operator? Will the decrease in margin be offset by a sufficient increase in volume to sustain earnings? And are there additional variable costs incurred because of the increase in volume?

Price discounting can be an effective tactic in the short term to elicit trial of a new itinerary, and sometimes it may be a necessary tactic to use when cash flow is a problem. However, it is seldom about profit, as margins by definition are lower per unit sold. And while there may a short-term spike in sales volume, long-term profitability will quickly be eaten away as competitors also adjust their pricing. Continued competition in this vein can quickly erode margins for everyone but the operators who really are the cost leaders in the industry.

A successful company finds ways of differentiating itself from its competition in ways that are meaningful and relevant to the consumer. And price is certainly a consideration. It is one of a host of ways that a company communicates with its customers, along with its tangible assets, commitment to service, branding, publicity, and even the way that staff answers the phone. But when a discount strategy becomes the consideration, then the company

is in for a rocky time because it is seldom defensible over the long term.

Perhaps another consideration could be substitution. A tour operator provides a complex product because so many independent businesses contribute to the overall look, feel, and enjoyment of the experience. Airlines, hotels, travel agents, restaurants, attraction providers, taxis, etc. are just some of the components of an intricate chain that communicates value and cost to the consumer. And consumers will have different propensities for what is acceptable relative to the trade-off between cost and value for each stage of the offering. For example, a consumer who expects to stay in a first-class hotel may be perfectly comfortable sitting in the economy section of an airplane to get there.

What aspects of the existing experience are critical opportunities for differentiation? Which ones are not and could be candidates for substitution? What is the overall impact on price and the consumer's perception of value? I think these are more germane questions that might influence a fundamental rethinking of an existing offering that may be unprofitable. Fixing the problem by adjusting price alone is seldom more than a temporary solution at best.

TOURISM: At a recent workshop hosted by your organization on the matter of Canada's pending Approved Destination Status with China, you commented that Canada should not have to "buy" her share of the market in China through the discounting of its tourism products. Can we sell a premium tourism product into China?

Pearce: I think Canada is a premium tourism product for China. Distance and cost of access alone don't allow us to compete on the level of a destination in Southeast Asia where complete packages, including air, run for as little as \$400 US.

And we may also be faced with a phenomenon seen in other countries where it is not uncommon for the international partner to negotiate deep price discounts that don't get passed on to the consumer. For these operators it's all about volume, with the destination becoming a commoditized product in the process. Ultimately

the visitors have mediocre experiences and don't want to visit again, let alone refer the destination to their friends and relatives.

Canada needs to position itself as a great product, offering superlative quality and value at a fair price. We also need to identify, work with, and reward travel partners in China that are willing to stand apart from the crowd in offering great itineraries and demonstrating the tremendous value in those experiences that warrants a higher price. Does this mean we will be catering to a smaller proportion of the market? Absolutely – but we may also be setting a standard for customer service in China that may pay dividends in the years ahead. And I suspect the added cachet of our upcoming Olympic event will only increase our brand stature and appeal.

TOURISM: Do you think, as a general rule, Canadian tourism products are priced competitively to satisfy most of our markets? Anything we need to be worried about?

Pearce: Intuitively I think we have a broad array of travel experiences and pricing across this country that will meet the needs of select market segments in all our priority markets. We do need to constantly innovate and develop new experiences that respond to emerging interests and trends. In Vancouver for example, we have challenged



ourselves to create 50 new itineraries in the next few years that will provide fertile new opportunities for our travel partners. I also think a Team Canada approach in all our long-haul markets is essential if we are to focus our limited resources as effectively as possible. The pace of competition is only going to increase, and they will always have more money than we do. Following the basics – ongoing market research, customer segmentation, strong distribution networks in our key markets – and providing extraordinary experiences once the customer gets here – will continue to build our industry. Caveats? Air access and access/egress through our border points continues to be an ongoing weakness.

TOURISM: Thank you! 

CTC move to Vancouver is official

Ending months of speculation, Canada's Prime Minister announced March 31 that the head office of the Canadian Tourism Commission (CTC) would be relocated to Vancouver by the end of this year. The relocation of the CTC is part of a larger initiative on the part of the government of Paul Martin to strengthen the federal presence in Western Canada by ensuring all regions of the country are able to benefit from the presence of federal departments, agencies and Crown corporations.

Speaking from Whistler, BC where the announcement of the move was made, CTC chairman Charles Lapointe assured Canada's tourism industry that "while the CTC's new headquarters will be in Vancouver, we continue to be a national marketing and research organization with the strategic priority to grow tourism export revenues. Let's embrace this new chapter in the Commission's history; in partnership with you, we will grow this \$56 billion industry for the benefit of every community, city, province and territory in Canada."

"During this period of transition," says CTC president and CEO Michele McKenzie, "let me assure you it will be business as usual at the CTC, and that our plans and priorities remain the same. Working with you, we will deliver on our multi-year business plan that includes strategic marketing activities and innovative partnership programs. The CTC has a dedicated group of tourism professionals on staff that will continue to work closely with you." 

2004 and 2005: Good and getting better

Research Viewpoint

SCOTT MEIS



Over the past couple of months I have been called upon to report the most recent figures on overall tourism demand for 2004 and 2005. I notice people are very tuned-in to the data. My message this month is a simple one: the overall picture is good and looks even better for the near future.

More than 99% of businesses in the Canadian tourism sector are small and medium sized businesses. Profit margins are still slim, fuel and insurance costs have risen recently, and the shocks of 2003 have left a mark. It is worth mentioning that during 2003, Canada was one of only three countries on the World Tourism Organization's list of top 15 tourism earners which lost business that year (along with China and the US). Understandably, there is a residual wariness out there in Canada's tourism sector.

But the data for 2004 speaks for itself. To whit:

- according to preliminary CTC estimates total tourism expenditures in Canada were up 7.1% from 2003, to \$55.8 billion (All dollar figures in Canadian currency.)
- Canadian residents accounted for \$37.4 billion of this total, up 3.3% from 2003.
- international visitors accounted for \$18.4 billion, up 15.7% from 2003.

In another sign of a robust Canadian economy, Canadian outbound travel also rose in 2004 compared to 2003 – by 10.8%. Tourism expenditures to all destinations grew, to the US by 8.6% (to \$8.8 billion) and to overseas destinations by 13.2% (to \$8.6 billion). A lot of money spent by outbound travellers is spent within Canada (on Canadian carriers, for example), so all these figures are positive ones for the Canadian tourism sector.

The one soft spot is the US market, for which we had heightened expectations. In the figures above, the 15.7% rise in international visitors was driven by double-digit growth in our Asia Pacific and European markets. But even from the US demand rose in 2004 by nearly a million visitors.

We don't need to wring our hands over the American market. From our studies we know that large sections of the US market are return visitors who already know the region of Canada they visit. Despite issues outside the tourism sector which make the border a bit more of a hassle, Canada still enjoys quite a bit of loyalty and equity in this market, and it will continue to provide Canada a lot of traffic. We have initiated several studies on the US market to confirm what we know and get more detailed data.

Overall, the outlook for 2005 is brighter than it has been for the past few years. We should surpass the peaks we recorded at the beginning of this decade by the end of this year or the first half of 2006. We are projecting growth from all our markets, with Canadian domestic demand – as always – the most important market.

Of course, we must add the caveat that our short-term outlook is based on there being no further shocks from outside the tourism sector to rock everyone's world. Military action, health scares and sudden turbulence in exchange rates are not good for those running businesses out there. Realistically though, we don't see these things on the horizon. Spring has come to the tourism industry. **T**

A monthly guide to travel & tourism data

Tourism Activity	Reference Period	Quantity	% Change from previous year
Tourists to Canada			
From the U.S. - Total	January-March 2005	2,092,088	1.4
By Auto	January-March 2005	1,239,056	-2.5
By Non-auto	January-March 2005	853,032	7.6
From Overseas - Total	January-March 2005	631,632	15.5
United Kingdom	January-March 2005	142,430	19.4
Japan	January-March 2005	64,621	18.3
France	January-March 2005	54,332	10.9
Germany	January-March 2005	35,085	16.6
China	January-March 2005	17,058	4.6
Australia	January-March 2005	32,184	12.3
Mexico	January-March 2005	28,639	43.3
Korea (South)	January-March 2005	31,246	12.9
Outbound Canadian Tourists			
To the U.S. - Total	January-March 2005	3,385,972	11.0
By Auto	January-March 2005	1,683,332	9.2
By Non-Auto	January-March 2005	1,702,640	12.9
To Overseas - Total	January-March 2005	2,076,799	8.3
Employment in Tourism			
Total Activities	Fourth Quarter, 2004	585,900	0.3
Accommodation	Fourth Quarter, 2004	132,700	1.0
Food and Beverage	Fourth Quarter, 2004	140,800	0.2
Transportation	Fourth Quarter, 2004	83,100	0.6
Selected Economic Indicators			
Personal Disposable Income per person (\$)	Fourth Quarter, 2004	23,476	0.8
GDP at market prices (current, \$ billion)	Fourth Quarter, 2004	1,323.9	1.2
GDP chained (1997, \$ billion)	Fourth Quarter, 2004	1,137.3	0.4
CPI (1992=100)	March 2005	126.3	2.3
Exchange Rates (in Cdn\$)			
American dollar	April 2005	1.2360	-7.9
British pound	April 2005	2.3436	-3.1
Japanese yen	April 2005	0.0115	-8.0
EURO	April 2005	1.5997	-0.6

Note: All tourist estimates deal with trips of one or more nights; All data on this table is not seasonally adjusted.

Source: Statistics Canada and the Bank of Canada

International travel continues to rise

According to the March 2005 *Preliminary Foreign Travel Statistics to and from Canada*, total international overnight travel to Canada increased by 7.4% in March 2005 compared to the same month one year earlier, topping out at just over one million. The volume of overnight travel from the US increased 3.5% in March, to almost 786,200 trips.

Overnight trip volumes from overseas destinations increased 22.6% compared to March 2004, reaching almost 239,000 trips. All international regions posted increases when compared with the same month last year: South America (21.9%), Europe (20.5%) and Asia-Pacific (18.0%). The largest gains were seen in the UK (28.5%) while China was the poorest performer dropping 2%. Mexico continues to shine as a growth market, nearly doubling the results of March 2004, with a jump of 99.0%. For the first three months in 2005, Mexico recorded a 43.3% increase in trips to Canada. During March 2005, Canadian overnight outbound travel recorded an 11.9% increase compared to March 2004, reaching over 2.2 million trips. Travel to the US increased by 14.1% over the same month last year, reaching almost 1.5 million trips. Overseas travel continues to rise in popularity increasing 7.5% to reach 724,500 trips, the highest level ever recorded. **T**

Outlook for 2005 generally optimistic

The Tourism Intelligence Bulletin, produced for the Canadian Tourism Commission by the Canadian Tourism Research Institute of the Conference Board of Canada, continues to monitor the tourism industry around the world. The bulletins are available in their entirety at www.canadatourism.com.

With growing traveller confidence and continuing stability in the global geopolitical landscape, Canadian tourism suppliers are generally optimistic about their business prospects this year.

The Conference Board of Canada's latest *Canadian Industrial Outlook* for the tourism industry also supports the view that profits should improve in 2005. However, in comparison to many other industries, overall profit margins are expected to remain relatively thin. Persistently high fuel prices are expected to once again dampen domestic and US auto travel over the summer and take a heavy toll on the profitability of Canada's airline sector.

The tourism industry is well aware that the road from surviving to thriving is a long one, and obstacles will continue to appear on the horizon. In particular, wooing back the US traveller has proven to be a considerable challenge. The recently announced Western Hemisphere Travel Initiative (WHTI) appears to add another hurdle to this task. While the new passport regulations spelled out in the WHTI are to be implemented in three stages, and will not take full effect until December 31, 2007, visitor confusion could curtail cross-border travel as early as this year.

Emerging trends and issues

Canadian tourism marketers are being forced to re-evaluate their strategies in targeting potential US travellers. Now that geopolitical events have stabilized, more Americans are renewing their interest in travelling overseas. Furthermore, a younger generation of US travellers is emerging as an increasingly important segment of the market; reports suggest that they place a higher premium on unique travel experiences and tend to spend more on activities such as entertainment, dining and shopping, but less on transportation and accommodation.

The recovery of business travel in Canada appears to be progressing steadily, with corporate travel demand well on its way to pre-Sept. 11, 2001 levels, according to the latest *Business Travel Trends and Forecast* report by American Express (Amex). Amex reported that Canadian business travel transactions have risen significantly since 2003, and are now surpassing levels seen in the first half of 2001.

Meanwhile, the outlook for Canadian leisure travel remains upbeat, although domestic travel intentions for summer 2005 are still rather modest by historical standards, according to the latest *Travel Intentions Survey* by the Canadian Tourism Research Institute.

Meanwhile, Americans' positive attitudes towards the economy and their own finances are keeping US travel intentions buoyant according to the latest seasonal forecast by the Travel Industry Association of America.

Hotel outlook healthy

Judging by 2004 year-end reports, the recovery in the Canadian hotel industry appears to be in full swing. By the end of 2004, nationwide demand for accommodation had increased 2.3%, to levels last seen in 2000, according to figures by PKF Consulting. With travel demand finally lifting occupancy and revenue levels, daily rates were expected to begin rising. Weak prices have been a persistent challenge for the industry over the past few years, so increased pricing power should help spur the sector's bottom line.

Market economies slowing

Real economic growth in North America is expected to slow to 3.4% in both 2005 and 2006. The slower pace is mainly due to a slowing US economy, where consumer spending, particularly for durable goods, is expected to be curtailed by rising interest rates. Meanwhile, the continued strength of the Canadian dollar (vis-à-vis the US dollar) is also expected to take a toll on Canada's export sector in 2005. Fortunately, a strong domestic economy is expected to help out considerably and allow real economic growth to reach 2.3% this year.

While economic growth in Europe will continue to be constrained by sluggish growth in Germany, countries with more flexible labour markets and stronger job creation should post solid growth. The United Kingdom and, to a lesser extent, France and Sweden fall into this category.

Economic growth in the Asia-Pacific region is also expected to slow considerably this year, posting

growth of only 2.9%, before rising to 3.4% in 2006. Japan's economy fell into a recession during the latter part of 2004 when its export sector—the engine of growth over the past two years—weakened sharply. Moreover, with deflation once again rearing its head, consumer spending is also expected to decline. Overall, real economic growth in Japan is only expected to reach 1.1% in 2005 and 1.8% in 2006. South Korea and Australia are also expected to experience slower economic growth this year. On a more positive note, the outlook for China's economy has picked up again, with real economic growth of 8.2% now expected this year.

Opportunities

Solo travellers are becoming an increasingly significant travel segment, according to a recent survey by Fodor's Travel Publications. In fact, of the 1,000 American adults polled, about 40% had travelled alone for pleasure in the last three years, but a full 80% of respondents indicated an interest in solo travel. However, 44% perceived that a stigma still exists for solo travellers, especially for women. A recent article by *Travel and Hospitality Industry Digest* noted a similar trend emerging in the UK.

Meanwhile, a new top-level domain (TLD) – .travel – holds significant promise for the tourism industry. Tralliance Corporation has been given the authority to administer the registry, and plans to develop an easily searchable database for .travel registrants. Tralliance is expected to launch registration for the .travel domain this fall. 

Hot buttons: Tourism in the media

A new report entitled, *Media Coverage of the Canadian Tourism Sector*, monitors a number of news outlets across Canada, providing insight into what tourism issues are of the greatest interest to the media. As this report monitors only the Editorial and Business sections of a select ten major Canadian daily newspapers, the results are void from a bias caused by the various Travel sections.

The airline industry served as the dominant tourism newsmaker in the first quarter of 2005, accounting for 55% of all coverage (44% can be attributed to Jetgo's collapse). Airport landing fees, the Open Skies agreement, airport rents and budget reactions by the Transport Minister compose the remainder.

Reaching its highest amount of coverage to date (32%) the federal government made headlines with the announcement of the CTC's relocation to

Vancouver, and much attention was lavished on the importance of an increased tourism-marketing budget. Tourism associations and advocacy groups appear in only 7% of all coverage.

Across the country, our national papers tended to focus on the negative: 44% of all national coverage made the suggestion that the tourism industry was struggling. Regionally, the focus was on the announcement of additional marketing and development funding for the East. Western media chose to scrutinize the ski industry in a season bereft of snow. In the Prairies, coverage highlighted local restaurants and culinary tourism. Ontario made headlines with its decision to allow restaurant patrons to bring their own wine while dining out.

As this report demonstrates, newsworthy events – be they politics, sports, or weather – can provide windows of opportunity for the tourism industry to get its voice heard. Take the time to find this correlation and present it in a meaningful way to your local news outlet; the results may surprise you. 

The “low-cost” concept: IS IT FOR YOU?

The following report was prepared by Michèle Laliberté of the Tourism Intelligence Network of the ESG-UQAM Chair in Tourism (University of Quebec at Montréal). The network – often referred to as Veille Tourisme – was recently honoured at the Montréal Excellence in Tourism Awards for Public Service in Tourism.

There is nothing new in the observation that price is a deciding factor, or even the deciding factor in consumer behaviour. What is new is that the economic model associated with low prices is becoming more and more popular. Companies adopting this model make it their mission to offer high-calibre, no-frills products that are in no way synonymous with poor quality. For examples, one has only to look at the soaring popularity of low-cost carriers in the airline industry.

A thousand and one reasons to cut prices

It is only normal that customers want to get the most for the least amount of money. There are many reasons to cut prices:

- promotions to publicize a new product
- deals to attract new customers
- lower prices to beat the competition
- special group rates
- “early-bird” specials
- last-minute prices to liquidate stock
- off-season prices
- guaranteed best rates to lure reservations away from middlemen sites to one's own website.

And yet, at the end of the line, such measures cut into the profit margin.

The low-cost concept is in no way synonymous with cheap

Working from the idea that people are looking for low prices, a num-

ber of businesses have successfully questioned their traditional ways of doing things and found ways to cut costs and still offer a quality product. In fact, the term low cost (which is often poorly translated into French as “bas prix” or low price) simply means that – since operating costs are lower – one can ultimately offer lower prices. Of course, the calculations are very different for Air Canada from what they are for WestJet when it comes to a \$99 Montreal-Toronto flight. Since these two companies do not have the same cost structure, one operates such a flight at a loss, while the other can make a profit. For WestJet, the price is in line with its operating costs, while for Air Canada, it is simply a strategy to boost sales or keep up with the competition.

An increasingly popular business model

The avant-garde low-cost concept was first adopted by Southwest Airlines in the United States back in 1978. Although it has taken time to catch on, the low-cost concept and the carriers using it are causing a lot of turbulence in the airline industry. WestJet was the first to adopt the concept in Canada and it has been followed by JetsGo, Canjet and Air Canada's Zip and Tango services.

Even airports are investing in the market. Marseille, Beauvais, Geneva and most recently, Singapore have all announced plans to open low-cost terminals expressly for these carriers. Could Montréal's suburban Saint-Hubert airport be far behind?

To counter stiff competition from low-cost carriers, France's national rail company (SNCF) has also decided to explore the concept. It has launched a low-cost version of its TGV high-speed rail service, combined with an innovative array of special services. Basically, the rail company is offering exclusive online booking and “early-bird” rates, considering partnerships to

enable customers to design their own products, and is testing a process whereby all tickets are checked upon boarding, rather than on the train.

In France, the Formule 1 hotel chain has revolutionized the economy hotel industry. The concept was developed in the 1980s after a study showed many travellers found hotel rooms too expensive. The entire hotel “production line” was closely scrutinized to reduce capital and operating costs. This type of hotel meets customers' primary expectations: cleanliness, comfort and low cost.

Low-cost cruises are now on the horizon. Already the owner of *easyJet* (a low-cost carrier), *easyGroup* will soon launch *easyCruise*. Some are criticizing the idea, saying that *easyCruise* is more about ocean transport and ferry service than an actual cruise. As opposed to the usual cruise concept based on luxury and attentive service, *easyCruise* will follow the example of the airlines with a reduced crew, simplified pay-per-use services and above all, low prices.

Even destinations (Cuba, Tunisia and Turkey) are targeting the low-cost market. At the opposite end of the spectrum, destinations like Monaco, Île Maurice and Deauville wish to maintain their image as playgrounds of the elite.

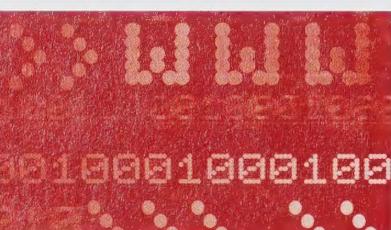
To each his own, but make sure you are clear

Many successful businesses have proven the merit of the low-cost business model. When a company's prime objective is to offer a low-priced product, it is important to communicate this clearly and ensure the customer understands what this implies in terms of quality, service and price.

The strength of those who develop new concepts lies in their ability to discern opportunities and take advantage of what the environment offers. Although this is easy enough to say, one must truly have a visionary streak to venture off the beaten path. 

Source: *Les Cahiers Espaces. “Stratégies de petits prix,” Vol. 79, November 2003.*

Untangle the Web



As we come upon what is – for most in the travel and tourism industry – the peak of the harvest (weather permitting!), we can also watch our website traffic reach its greatest heights during harvest. During this in-gathering season, there is no better time to take advantage of this growth by encouraging your website visitors to sign-up for your newsletter through the highly effective means of giving away a prize!

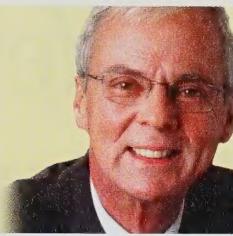
Not only will giving away a prize encourage your site visitors to sign-up for your newsletter, but contest entrants are famous for telling their friends and family about contests and this can potentially increase your traffic. While an all-inclusive luxury spa getaway will certainly turn some heads, you will be amazed at how many people want to enter their e-mail address just to win a Snoopy mug! If you don't already have a newsletter sign-up tool, it is a fairly simple function that requires very little website development. For example, an easy-to-use newsletter solution can be found at www.constantcontact.com, a web-based email marketing service.

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Marketing for Success

JEAN B. CHRÉTIEN



continued from page 1

kinds of things – even peculiar things – that make them feel the need to learn or see something new. We need to put that *Keep Exploring* tagline into the daily conscience of our target customers.



In tier two, with partners, we need to find powerful stories we can tell to make people feel they really must explore this country to learn those stories. I have learned, as I have taken this concept across the country, that our partners can already see how they can use *Keep Exploring* with, and around, their own brands. The idea in tier two is to create moments in our customers' daily life when they will experience something Canadian – it could be a vignette of the Montréal Jazz Festival at Trafalgar

square in London, or maybe a TV show on Canada on Discovery Channel. We want them to "feel" Canada within their life's routine.

Tier three is when we push the sales. This is done mainly by partners, either on their own or using

Please note that while this image illustrates the idea of the brand, specific articulations are currently in development for use in communications in all key markets.

the channels the CTC will offer (television, radio, newspapers, and so on). Understanding the customers is a prerequisite to success, otherwise we might push the wrong product to the wrong customer. If we don't know our customers better, we will use the wrong channels, channels that are not in line with their lifestyle.

This is a non-directive approach; we are not going back to doing what we used to, forcing people to use little pictures and logos

and so on. We are simply inviting our partners to create, in their presentation of their product, the feeling that Canada is a place worth exploring. If we all do this together, in no time at all we will change the perception of Canada so we become a destination that absolutely has to be visited and explored – now.

We plan to launch *Keep Exploring* to our customers in 2006. We don't have enough money to do, for example, what Australia has done so successfully with its new brand, so we need international-level

Come to Canada! Create extra-ordinary stories all your own.

partners to help carry the message to these targeted consumers. We have to create our own channels to make it happen, and although it takes a lot of work to pull this together, we are already making headway to get it done. And in addition, of course, our CTC marketing teams are re-designing our marketing programs for 2006 –

2008 to fit the tier one, two, and three approach.

We cannot compete with money. We have to compete with partners, at all levels. We need small business, large tourism and travel corporations, destination marketing organizations, provinces and territories, and our innovative non-traditional partners, to get onboard and make this new image of Canada successful. Our in-market representatives are already geared up and making presentations to their local partners, and the new brand is being very enthusiastically received. Things are moving forward, and I am very excited!

As an industry, we should all be proud of our shared role in developing this new vision of Canada as a tourism destination. Your insights and enthusiasm were the driving force in creating this new idea for Brand Canada. It is now our shared responsibility to work together to bring the brand to life through our communications, our products and our individual roles as ambassadors of Canada.

*Keep Exploring,
Jean B. Chrétien*

Branding a destination

TOURISM will be speaking with tourism leaders across the country – many of whom have undertaken similar exercises – for their thoughts on Brand Canada and its relationship with their own destination. Pat Lyall of Destination Halifax opens the discussion in the next issue!

Vancouver unveils Winter Games emblem

Vancouver's Olympic Committee has chosen a contemporary interpretation of the traditional inukshuk as the official emblem of the 2010 Winter Games. Inukshuks are stone sculptures used by Canada's Inuit people as directional landmarks across the north, but have become adopted by many as a representation of hope, friendship and hospitality.

Unveiled during a nation-wide television broadcast on April 23 and named Ilanaaq (the Inuit word for friend), the colourful emblem was designed by Rivera Design Group of Vancouver, created by a team including company principal and creative director Elena Rivera MacGregor and designer Gonzalo Alatorre. The Vancouver 2010 Olympic Winter Games emblem has

been approved by the International Olympic Committee (IOC) and has been registered internationally. "This emblem will be fondly remembered for generations as the guardian of truly great Games," said René Fasel, chairman of the IOC Coordination Commission for the 2010 Olympic Winter Games. "Ilanaaq is rooted in Canada's history. It reflects the spirit, diversity and values of Canada. It reflects the rich colors of your land and your seasons. Well done, Canada!"



Rendez-vous Canada 2005

"One word captures the essence of what I believe people will remember about Rendez-vous Canada 2005 – 'special'. Special because of the true hospitality demonstrated by the local community. Special because of the boost this event will provide in growing Saskatchewan's tourism economy. And special because the overall event will have exceeded expectations for most delegates."

Randy Williams, President and CEO
Tourism Industry Association of Canada

Here are the final attendance numbers:

Rendez-vous Canada

Buyers: 293
Sellers: 783
PMO/DMO: 182
Others: 240
Total: 1498

GoMedia Marketplace

International media: 35
Canadian media: 50
Industry: 80

CTC in the marketplace

Gay and lesbian

As discussed in previous issues of *TOURISM*, the US Leisure marketing team at the Canadian Tourism Commission (CTC) will focus its marketing strategy for 2005 on the geographic markets of Boston, New York and Los Angeles, and three niche markets: ski, high-end fishing lodges, and gay and lesbian travel.

This latter campaign is intended to heighten the awareness of Canada as the premier four-season destination for the gay, lesbian, bisexual or transgendered (GLBT) traveller, making our gay-friendly tourism products more visible. The CTC will invest a minimum of \$300,000 in two campaigns: May to July and October to December 2005.

This market was chosen for the 2005 strategy because – as with ski and high-end fishing lodge markets – GLBT travellers are high-yield, with above-average disposable incomes and a high propensity to travel. A remarkable 82% of GLBT travellers hold university degrees (US average of 29%). According to recent research, the GLBT market in the US represents roughly 10% of the overall travel market, and the actual number may be much higher as some consumers may not feel comfortable in answering census or survey questions about their sexual orientation. GLBT travellers are known to budget more for their vacations, and also hold passports in higher percentages than the national average (84% vs. 29%).

Community Marketing Inc. reports the estimated spending of the American GLBT travel market to be \$54.1 billion annually. They are said to be the most affluent and loyal affinity group and are among the most liberal in their spending: willing to spend a minimum of \$5,000 USD a week per person (male average), and \$2,500 USD a week per person (female average), often travelling three times a year for vacations. An article published by Synovate reports that only 1 in 20 GLBT couples have children in their care – meaning less “mouths to feed”, no early school-mornings, no babysitter arrangements to make, more disposable income and therefore more free time to travel.

Canada has long been known as a gay-tolerant, if not gay-friendly, country. Toronto's Pride Week and Montréal's Rendez-vous 2006 have international appeal and attract large numbers of international guests (as high as 51%). Canada has included same-sex marriage legislation in many provinces and territories, and while a small percentage of visitors travel to Canada solely for that reason (14%) it serves as a reminder to the world that Canada welcomes the GLBT community.

The CTC has entered this market on a trial basis. As with the other niche campaigns, if GLBT does provide significant return-on-investment, the program will be extended. Considering the spending patterns, propensity for travel, and sheer size of the GLBT market in the US (and overseas), finding more fertile ground could prove difficult.

“Members of the gay community are frequent vacationers, and they know they represent a sizeable piece of the travel market. Where they choose to spend their vacation dollars will depend on how well travel-related businesses can cater to their needs,” says Frank Bourree of the business and tourism consultancy Grant Thornton. He concludes: “The gay community has the means to travel, and those who can cater to this market will be rewarded.” **T**

*... only in the
Online!*

With an annual spending power in excess of \$500 billion, the gay and lesbian community is one of the hottest new target markets. It's little wonder that more and more destinations across Canada are targeting this lucrative group of travellers. *TOURISM* addresses who is doing what – and how – in Canada's tourism industry.

Catch up with the gay and lesbian market
... *only in the Online!* **T**

Boston

With a population of roughly 600,000 the city of Boston, Massachusetts is often overshadowed by its larger neighbour, New York City. Despite its smaller size, Boston holds a great deal of potential as a key market for the Canadian tourism industry (Quebec in particular). Within a drive time radius of approximately 10 hours, Bostonians can reach Toronto, Montréal or Québec City, ideal choices for a trip of four to seven days. Quebec has shown itself as the destination of choice among Boston residents (50%), while Ontario was second, (22%), Atlantic Canada third, (17%) and the West fourth (11%).

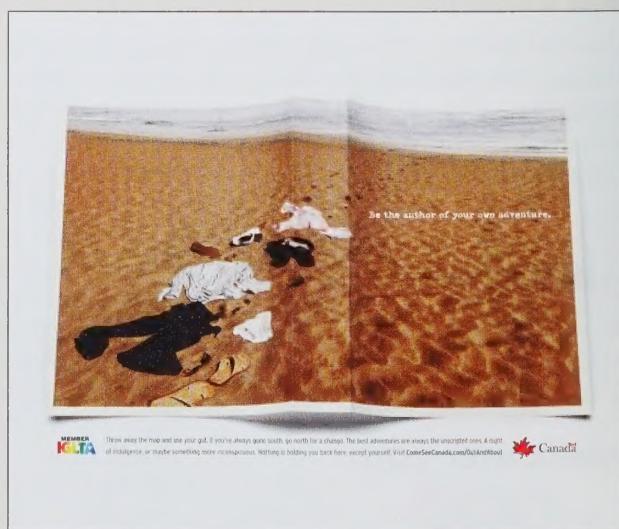
The CTC, in concluding its 2004 marketing campaign and preparing for 2005, generated a report on a number of US cities; Boston among them. Of the cities rated in the report, Bostonians held the second highest “incidence of travel” at 72%, meaning the city's residents are able to travel, and do so more often than those in other key US cities. The Boston market also responded well to the 2004 campaign: while unaided awareness of Canada in all other major city markets declined or remained neutral, in Boston it rose by 3%. Aided awareness jumped 19% in the same period.

Market research reveals travellers from Boston seek experiences related to a different way of life, thus the affinity for the province of Quebec. Nightlife and fine dining, cultural attractions, architecture and car touring also rank as possible activities. Spending time by the sea was a popular choice. In keeping with the preferences of most Eastern US city markets, Bostonians prefer city and cultural activities to “the great outdoors”:

City highlights	26%
Main attractions	19%
Pampered luxury	15%
Outdoor active	15%
Culture / Foreign	14%
Outdoor relaxed	13%

In competition with Canada for the Boston tourist market are a number of destinations, which, although they may not be within driving distance or offer a similar product, do rank high on the list of “must-do” experiences. Excluding the continental US, 18% list Europe as an alternative to a Canadian trip, 8% list the Caribbean and 26% list “other”.

As a travel destination, Canada has a number of benefits for Bostonians. Canada provides a unique cultural experience (29%) and general scenic beauty (18%) with the added benefit of being close to home (18%), and therefore less-expensive (12%). The typical trip would take place in June, July or August as a mini-vacation of 3-5 days. Costs range from \$1000 – \$2000 and most tourists would travel by car. Border crossings were not considered a major obstacle. **T**



Europe and Mexico show growth potential

An interview with Sylvie Bourget, the Canadian Tourism Commission (CTC) Chair of the Europe and Latin America market committee. She is currently general manager – travel partnerships with Aeroplan, based in Montréal, where she had spent a number of years with Air Transat. TOURISM spoke with Bourget in mid-April:

TOURISM: Your team put together a "Tourism Watch*" in our three European markets last year; would you care to elaborate a bit on the results?

Bourget: We took a different approach with the Tourism Watch from what we have done in the past. It was more about the values and perceptions of people in the markets than it was about products and experiences – it was, shall we say, about the "global expectations" of travellers. It was very useful; we'll be using data from this approach for years to come.

When we consider the very competitive environment of the tourism market in Europe – where our key markets are UK, France, and Germany – we found some very positive results overall. Canada came out very strong in terms of unassisted awareness (as strongly as Spain, for example, which is an active tourism destination for Europeans). We also came out favourably versus the US, which is our key competitor in that market.

When we asked people about their dream destination for travel, Canada ranked at the top of the list. That is an enviable position to be in, and reflects a very strong potential for generating travel from these European markets.

TOURISM: So if Europeans see Canada as a dream destination, how do we convince them to act upon their dreams, and buy a Canadian vacation **now** rather than merely dream about it? Can our new Canada Brand influence those decisions?

Bourget: Research seems to indicate that the CTC's core European markets will thrive on this new brand positioning. The 2006-2008 market program will adopt – and adapt – the new brand positioning to nurture a more immediate call to action.

As we see from the studies, the reason Europeans travel overseas is to discover – a fact that is coming out very strongly in market research. They want to discover people, culture and landscapes and have a broad experience of the country, so they can take home a lot of rich new knowledge and sensations. We plan to directly target these core interests.

TOURISM: What new trends do you see in the European tourism market? We hear about wellness tourism being "hot", and we hear about youth as a market with high potential. What kind of clientele is most likely to buy Canadian tourism products?

Bourget: Our key targets remain broad. You mention wellness – that has been high on the list in our European markets for many years, actually. Spas have long been popular with Germans, for instance, but certainly our recent research with the Tourism Watch has confirmed health and wellness as a trend across all European markets.

As far as age is concerned, we will continue to focus on adults (45+) but the Tourism Watch strongly suggests we have to keep an eye on targeting younger adults, who are emerging as a very high-potential group for Canada. Our range of products in Canada is so rich that we have the opportunity to trigger the interest of all age groups. We've been very successful in Europe in segmenting the population – and understanding the needs of various population segments – so we can market the right products to them. There is the ski market, city breaks with shopping, short-stay urban weekends – the list goes on.

TOURISM: Canada's performance in European markets has shown an improvement in 2004 over 2002 numbers. Do you expect this improvement to continue?

Bourget: We are pleased to see that overnight receipts from Europe in 2004 were very strong. We have come back from decline to growth from all three key markets; we feel the marketing approach we have taken with our partners has been very successful. And of course, it doesn't hurt that the economic situation in Europe is looking stronger! We do indeed expect to continue to see strong growth, especially in the UK which has proven to be a very resilient market.

TOURISM: Mexico is included in your committee's portfolio of markets. It is a country of contrasts – a large population yet only a relatively small number of people sufficiently affluent to consider long-haul vacation travel. What are our prospects there?

Bourget: Our committee and team are very excited about what we are seeing in Mexico. We keep very close track of what is happening there, and the double-digit growth in tourism to Canada is right at the top of our radar screen. There is excellent market potential, and we have excellent local resources working with our (CTC) office to help us reach the people who are ready and able to travel to Canada.

Growth (2004 over 2002) was 18%. That is really significant, and as a country – economically – Mexico is looking very strong. With such good prospects in mind, we are looking to increase our support into that market as much as we can within our current budget limitations.

TOURISM: What Canadian products have the strongest appeal in Mexico?



Bourget: Ski – and winter – are big travel generators from Mexico, and also shopping. Shopping is huge. Mexicans travel in groups, with several members of the family, and they come for extended stays, as much as ten days. And of course, "shopping" – which we can easily monitor – means much more than just going to stores; it is really a euphemism for the whole urban experience! They are thrilled with the safety of our cities, the diversity of nightlife, and the range of cultural opportunities.

There are challenges, of course. We need to broaden the Mexican understanding of Canada as a tourist destination, to get them interested in experiencing our diversity of landscapes and experiences. The new Canada Brand will help us with this.

TOURISM: Overall, whether in Mexico or in Europe, are CTC marketing programs getting good support from partners?

Bourget: Yes, absolutely. The markets under our committee score really high on overall market priorities – they are all top-tier. The industry is obviously focused on the same priorities and we have been successful in obtaining a high level of partnership in all our programs. This includes provincial governments and cities, but more and more we are finding partners with all levels of industry. They have really stepped up to the plate.

TOURISM: Thank you!

* A Tourism Watch is a quantitative in-market survey to gauge the pulse on tourism in general, and then more specifically on Canada. TOURISM will publish the results of these Tourism Watches in the near future. **T**

Help Wanted! Living with summer staff

With the expectation of a busy summer comes the task of staffing your establishment for the coming flood of visitors. Thankfully, like in the simpler times of years gone by, students are relieved from their studies just as the harvest hits. Scores of eager and empty-pocketed youth are knocking on your door, but how do you choose? And, once the decision has been made, how can you ensure these same students understand how guest service relates to their pay cheques? *TOURISM* spoke to tourism industry operations across Canada looking for insight and advice on dealing with seasonal staff.

Considering the prevalence of small- and medium-sized enterprises in Canada's tourism industry, coupled with – in many cases – their distance from metropolitan centres from which to attract employees,

Choosing the right employees is half the battle, as they can make or break a summer season.

it should come as no surprise that operators need to adjust their work environment to keep staff happy, trained and most importantly, keep them coming back!

The Olivier Soapery economuseum, in rural New Brunswick, is growing in prominence as a tourism attraction. At times hosting upwards of 150 people for demonstrations and tours, the small working factory is faced with the challenge of attracting a large number of enthusiastic staff to its out-of-the-way location.

"Even though we're out in the country, we still have a list of applicants to choose from," explains Pierre Pelletier, vice-president. "We go by a motto of 'work hard, play hard' and offer a schedule that is good for the students because they still get to enjoy their summer." Summer students at Olivier work two days on – two days off, and work longer days (9 am till 8 pm for 44 hours each week) meaning students don't need to make the trip to the Soapery as often.

The tactic is working. Pelletier, his voice ringing with pride in his staff, notes the Soapery loses very few employees. Furthermore, he offers wage incentives for those who choose to return.

To ensure visitors to the Soapery are satisfied, Pelletier has staff undergo periodic evaluations to make sure they are meeting expectations while still being able to express their individuality. "I'll say what needs to be done, but not necessary how they have to do it. We have benchmarks, like how many laughs a guide may get on a tour of the museum, for example. It may seem complex but really it's very simple. I don't want the staff to be stressed, but to enjoy themselves and have fun doing a great job."

Choosing the right employees is half the battle, as they can make or break a summer season. Social activities, sunny weather and the desire for "freedom" all vie for a young person's attention, and having staff who are unreliable or ineffective when you need them most can be extremely frustrating. While all the businesses contacted report "very few, if any" problems with staff, most chalk it up to being choosy at the outset.

"I know what I am looking for, and I train them the way I want them to be, regardless of what they may have learned in (training) courses," states Louise Comeau of L'Auberge au Havre du Capitaine, a small hotel in Atlantic Canada. "In my establishment I want things to be done my way; very rarely does it not pan out." Comeau is in a good position to be choosy as her employees usually come back for three or four seasons. The Auberge is located within walking distance of the local school, making it convenient for student help.

"I want to see enthusiasm, and a willingness to work. Those are the two biggest things," confirms Kathleen Powell, of the City of Niagara Falls Museums. "We haven't had any problems because we are so careful about choosing students who are willing to work, and we make sure students know what they're getting into before they start. The difficulty lies in

knowing whether they are able to provide the level of customer service necessary."

Powell explains that a pairing system – almost like mentoring – is used in the early stages, matching a new employee with a more experienced staff member. Before things really get going for the summer, the entire crew meets for a session dedicated to customer service, to learn (or relearn) the values staff should be taking to work. "We do have a group of returning staff every year, and that is always a little easier."

Manitoulin Island, accessible only by ferry, is the home of Rita Gordon and Gordon's Park and Wilderness Retreat. An educational and participatory tourism facility, the Retreat is staffed largely by university students who have begun an education in this field. "We hire mostly university students, but some college students and new graduates. We've had students from ecotourism and outdoor education courses at Sir Sanford Fleming and Laurentian colleges, and one or two from Cambrian College."

Gordon explains that an aggressive search is undertaken, starting with the schools themselves. "I contact the administration and the professors, who then send out an e-mail to those students who may be interested. The notices are usually put up on a job posting board as well. Word is getting out about the opportunities we have, but I find that e-mails to students in nature-based, outdoor education, or ecotourism courses seem to attract the most applicants."

The summer positions are usually filled by first and second year students who stay for two seasons before moving on to greener pastures as they get closer to graduation. This is despite efforts to attract repeat staff with wage incentives and increased hours during the slower months (May). Past employees are contacted as early as February to gauge their interest in returning.

So, how can you provide the right staff to ensure a high-level of service in a business that is seasonal at best and sporadic at its worst? Because

the organization is unable to provide a guarantee of continuous employment at a level of income required by its staff, CANADEC, in BC's Okanagan region, employs a pool of "associates" to staff their adventure-education facilities as the need arises. Instead of creating a "permanent" structure (which may have allowed it to operate full-time) the money and effort was put back into the programs.

"We still get a lot of resumés, excellent resumés, coming in from new grads, but we're just not able

"I want to see enthusiasm, and a willingness to work. Those are the two biggest things."

to respond to them with an offer of employment. CANADEC has been operating that way since the beginning," explains Phil McIntyre-Paul. "All of us in the 'pool' carry other work contracts, and we're able to examine whose expertise best fits the needs of the client."

Obviously this requires some flexibility and understanding on the part of the entire collective.

"The relationship needs to accommodate the demands on other people's time. We have a core of around eight, and every year or two we lose a couple."

Education and hard skills are examined for some positions, while other positions require work experience. New arrivals spend time as a leader-in-training to learn the ropes and are later reviewed and debriefed at a staff day.

"It is difficult to train such a small staff on an intermittent basis as we have to reach a critical mass first. This is usually arranged through a contracted course, but we haven't had to do it in the last few years and we now have a stable core group."

Regardless of the staffing situation, the demands of seasonal employees – and the season itself – can be trying for any business.

Flexibility, coupled with a healthy dose of patience and ingenuity can get your business through the most hectic of summers.

And, remember to smile; winter is only seven months away! 

Cruise industry does yield tourism benefits

As cruise vacations continue to rise in popularity, so too grows the size of the ships themselves. These ocean-going behemoths offer everything a passenger could ever want – food, drink, entertainment, and lodging; they are veritable all-inclusive floating resorts. So, if the ship can cater to a passenger's every whim, what value exists for the tourism industry?

There are ancillary costs associated with the cruise industry that are attractive to a destination (outside of visitor spending). Refuelling the ship, or tertiary services like cleaning, waste disposal and re-supply do provide employment and income to a port-of-call but may offer very little to the dockside restaurateur or local coffee shop. For the tourism industry it's the passenger spending that counts. So how do "cruisers" measure up against other travellers, whether overseas, domestic, or even the VFR market?

Market research from the Canadian Tourism Commission breaks down the typical spending of visitors to Canada on a nightly basis (inclusive of hotel costs):

Overseas (all trip types)	\$ 86.21
Overseas (VFR)	\$ 53.19
Overseas (pleasure)	\$ 116.09
Average duration	12.9 nights
US (all trip types)	\$ 128.49 US
US (VFR)	\$ 66.93
US (pleasure)	\$ 130.20
Average duration	3.9 nights
Domestic (all trip types)	\$ 81.47
Domestic (VFR)	\$ 51.74
Domestic (pleasure)	\$ 69.98
Average duration	3.47 nights

When these figures are compared against research provided by the various ports of call, cruise passengers appear to be a lucrative market for the tourism industry (including hotels which benefit from pre- and post-cruise accommodation). Studies have shown that 95% of cruise passengers disembark their vessel, in addition to roughly 50% of the ship's staff once it reaches port. A large cruise boat could bring 2000 potential customers to a destination in one docking.

At a national level

An October 2004 report, *The Contribution of the International Cruise Industry to the Canadian Economy in 2003* prepared for the

NorthWest CruiseShip Association provides ample food for thought. Consider for a moment the volume of cruise passengers who travel from Canada during the May-October cruise season: Vancouver, 936,233; Victoria, 185,978; Halifax, 170,425; Montréal, 33,427; Québec City, 59,568; St. John, 83,300 and "other ports", 84,358; for a total of 1.55 million passengers on 880 vessels.

Their onshore spending adds up quickly:

Lodging	\$41.5 million
Tours and transportation	\$39.6 million
Food and beverage	\$35.5 million
Other retail	\$82 million

Passengers each spend an average of \$127 on shore visits during their cruise and generate an estimated \$151.6 million in spending in Canada. Quebec had the highest per-person spending at just over \$143, followed by British Columbia at \$139 and Atlantic Canada at \$92. Expenditures were higher in British Columbia and Quebec because those destinations had a higher percentage of embarking and disembarking passengers, which in turn generate overnight stays and longer visits than Atlantic Canada.

At a city level

The cruise business has been booming in St. John's, NL (up 44% since 1993). As a result the city's Department of Economic Development prepared an analysis of the 2003 cruise season. This document makes a unique distinction, breaking cruise passengers into two categories: *in-transit*, which means the city was one of many stops made en-route, and *home-port* passengers who departed from and returned to the city. Although 2003 was a challenging year for the entire tourism industry, cruise ships did bring over 8000 passengers to St. John's resulting in \$1.26 million in total spending.

The average expenditure per passenger was \$72.55, but this number is much higher for home-port passengers (\$248.00) than in-transit passengers (\$64.06). In-transit passengers spent most of their money on shopping, taxis, local tours, and at restaurants, pubs, and coffee houses. Although home-port passengers may have had

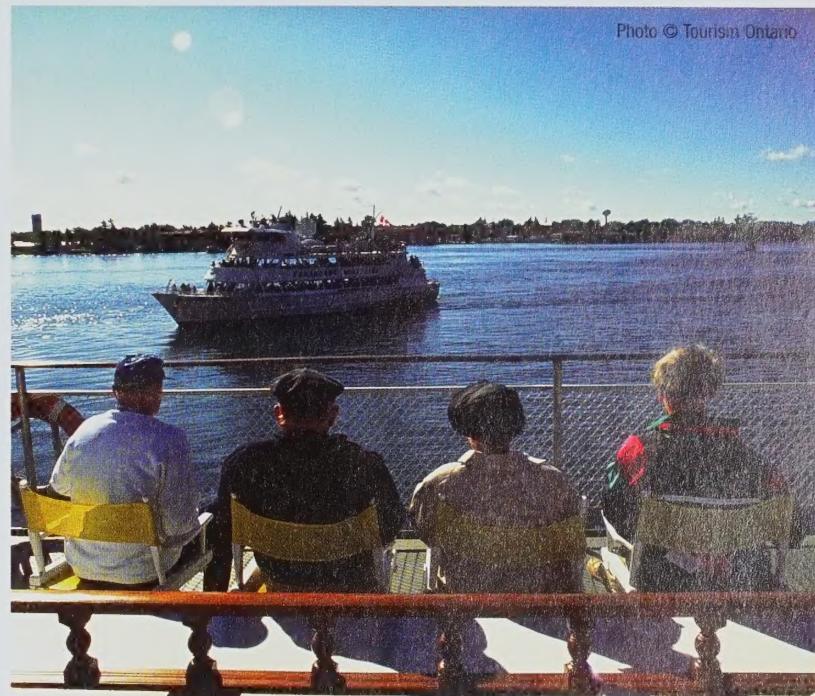


Photo © Tourism Ontario

Tourists line the shores of the St. Lawrence Seaway, one of Canada's most popular locations for day-cruises.

similar spending patterns, many of them extended their stay either before or after their cruise. Crew expenditures were estimated at \$28. If the *cruise line* spending (fuel, disposal, cleaning and restocking) were included, the impact per-passenger jumps to \$155.70 for the local economy.

Shore excursions – meaning packaged activities and events – account for a significant portion of the per-person spending. St. John's Economic Development estimates that these packages account for an average of \$18.21 in spending for each passenger. (The Atlantic Canada Cruise Association (ACCA) reports claim \$35 per excursion.) Home-port passengers were not included in this calculation, as they were able to partake in these activities pre- and post-cruise. The shore excursion impacts are based on the estimated amounts charged by the local tour operators and not the prices charged by the cruise lines.

From the customer

The ACCA, which represents the interests of cruise-related businesses in Atlantic Canada, commissioned a report in 2002 entitled *The Economic Impact of the Cruise Ship Industry in Atlantic Canada*. This report provides a generous amount of fodder for those who question the value of cruise passengers to the tourism industry.

While it is true the per-person spending of passengers and crew in each port does not reach the amounts spent by those travelling

to a destination on their own accord (one exception to this appears to be the VFR market), when you consider that "cruisers" are in a port-of-call for a limited amount of time and rarely include a hotel stay in their itinerary, their daily expenditures are significant. The ACCA report showed a large variance in passenger spending between large (\$67.58) and small ports (\$30.69). From this, one can deduce that cruise passengers are looking for activities, and are willing to spend their money on them. With the greater variety of activities and services offered by larger ports, passengers find "more ways to spend their money." If a small port was able to create and market a more diverse variety of products, it appears that cruise passengers will be happy to partake of them.

Respondents were also polled to determine what aspects of their visit they enjoyed most. On a scale of 1 – 5, all categories ranked 4 or higher, the lowest ranking being given to large ports lack of shopping opportunities (4.1), while small ports failed to offer a warm welcome and dockside visitor information (4.1). Medium ports ranked the highest in all the categories.

Ships ahoy! 

Faking it for cash

Counterfeit currency is a retailer's nightmare – hard to catch, hard to convict, and even harder to be reimbursed. While the Bank of Canada (the organization responsible for Canadian currency) does take every precaution to ensure its money is as safe as it can be, businesses shouldn't let their guard down. Tourism operations are no exception.

In 2004, the RCMP reported 552,980 counterfeit bills were passed for a value of roughly \$13 million. \$10 and \$20 bills constituted the vast majority (87.3%) in 2004. The dominant denomination does change from year to year, and authorities do advise against making generalizations about any particular bill. No province is immune from this crime, but it appears to be most prevalent in Ontario (58%), Quebec (25%) and BC (9%). Businesses need to be aware the Bank will not reimburse merchants for passed counterfeit bills, reasoning such an action could encourage counterfeiting.

"Old" money – in particular bills from the *Scenes of Canada* series

(1969-1979) – is more easily reproduced than the currency produced today. Tourism businesses often find themselves the recipients of older money left over from a visitor's previous trip, so the Bank of Canada is warning retailers to be particularly vigilant of larger denominations:

"In 2004, counterfeiting of \$100 notes from the Scenes of Canada series increased significantly. The Bank estimates that very few genuine \$100 notes from this series remain in active circulation. Since these notes do not include optically variable security features, they are less secure than notes from either the Birds of Canada or the Canadian Journey series and are thus more vulnerable to counterfeiting."

The simple advice would be to ask for a bill of a more recent vintage.

To wage the never-ending battle against counterfeiting, the Bank of Canada has released a new series of notes, some of which are now commonplace along with others which have yet to be made public. The next to be released is the \$10 bill; the upgraded note will have the same security features found on the \$20, \$50, and \$100 Canadian Journey series notes issued in 2004. Improved features include a metallic holographic stripe, a watermark portrait, a

windowed colour-shifting thread woven into the paper, a see-through number and enhanced fluorescence under ultraviolet lighting.

As summer approaches, it may be a good time to educate yourselves and your staff on the detection and prevention of counterfeit currency. With any luck it will be a busy season, so as cash registers start ringing the chance of receiving a fake bill increases. The Bank has a number of great resources available at no (or low) cost: DVD or VHS videos, posters, stickers and pamphlets can all be ordered online, in addition to a web-based educational course. For those who live in close proximity to a regional office (Ottawa, Toronto, Calgary, Vancouver or Halifax) the bank will provide an on-site training session and presentation for your staff.

Both the Bank of Canada and the RCMP have a library of information on currency crime, including a number of simple procedures that could be implemented into your daily operations. TOURISM encourages all businesses to visit www.rcmp.ca/scams/counter_e.htm and www.bankofcanada.ca/en/banknotes/counterfeit/index.html for more information on preventing and detecting counterfeit currency. **T**

People

The Honourable David Emerson, Minister of Industry and Minister responsible for the Canadian Tourism Commission (CTC), has appointed **Montie Brewer** as the national private sector, airline representative to the CTC Board of Directors. Brewer is president and CEO of Air Canada, where he has worked since 2002... **Sylvie Bourget**, chair of the CTC Europe and Latin America committee, has taken the position of general manager – travel partnerships with Aeroplan... The new World Travel Agents Associations Alliance (WTAAA) has chosen ACTA president and CEO **Marc André Charlebois** as its inaugural vice-president.

The Board of Directors of the Canadian Sport Tourism Alliance re-elected **Ursula Thiboutot** (director of marketing and development at Swimming Canada) as Chairperson... **Andrew Walker** has taken the position of sales coordinator with Advance Group, a Vancouver conference management organization.

The Honourable **Charles Lapointe**, chairman of the board of the CTC has been invited to serve on the executive committee of the board of directors for the Pacific Asia Travel Association (PATA). Lapointe will also chair PATA's Government/Destination Committee for 2005/2006.

Armin Schroecker has been appointed regional director – Canada for Hilton International... **David Parti** has been appointed director, sales and marketing, for Dollar Thrifty Automotive Group Canada... **Ian Wilson** has been named general manager of The Fairmont Royal York Hotel in Toronto.

Kevin Taylor has been appointed general manager of Casino du Lac-Leamy in Gatineau, Quebec... **Lori Grant**, formerly with Travel Alberta, has been appointed public relations manager at The Fairmont Jasper Park Lodge... **Victor Rabinovitch** has been appointed to a second five-year term as president and CEO of the Canadian Museum of Civilization Corporation.

Please note the following change of address for the CTC office in Australia:

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